

**WATER AND SEWER FUND**  
**WATER AND SEWER REVENUES**

	<b>Actual FY 2006-07</b>	<b>Adopted FY 2007-08</b>	<b>Estimated FY 2007-08</b>	<b>Adopted FY 2008-09</b>	<b>Change</b>
<b>Investment &amp; Rental Income</b>					
Interest: Investments and Assess.	\$ 4,154,207	\$ 3,244,824	\$ 2,413,098	\$ 1,062,957	-67.2%
Rental Income	222,148	250,000	250,000	250,000	0.0%
<b>Total Investment &amp; Rental Income</b>	<b>\$ 4,376,355</b>	<b>\$ 3,494,824</b>	<b>\$ 2,663,098</b>	<b>\$ 1,312,957</b>	<b>-62.4%</b>
<b>Operating Revenue</b>					
<b>Water &amp; Sewer Sales</b>					
Water & Sewer Sales	\$ 53,091,431	\$ 58,453,683	\$ 58,679,588	\$ 70,035,913	19.8%
Late Fees	62,201	70,000	77,000	100,000	42.9%
Industrial Monitoring	9,933	8,000	15,000	15,000	87.5%
Sewer Surcharge	197,846	200,000	185,000	195,000	-2.5%
Suspended Solids	15,384	9,500	17,000	17,000	78.9%
<b>Subtotal</b>	<b>\$ 53,376,795</b>	<b>\$ 58,741,183</b>	<b>\$ 58,973,588</b>	<b>\$ 70,362,913</b>	<b>19.8%</b>
<b>Other Operating Revenues</b>					
Septic Tank Disposal	\$ 67,840	\$ 62,000	\$ 68,000	\$ 65,000	4.8%
Water Connection Fees	340,341	375,000	370,823	370,000	-1.3%
Sewer Connection Fees	170,642	222,000	272,517	260,000	17.1%
Engineering Inspection Fee	191,231	200,000	158,206	160,000	-20.0%
Backflow Certification	6,800	9,200	3,000	5,000	-45.7%
<b>Subtotal</b>	<b>\$ 776,854</b>	<b>\$ 868,200</b>	<b>\$ 872,546</b>	<b>\$ 860,000</b>	<b>-0.9%</b>
<b>Licenses and Permits</b>					
Water Permits	\$ 24,600	\$ 27,500	\$ 38,057	\$ 35,000	27.3%
Sewer Permits	22,500	25,000	20,829	20,000	-20.0%
<b>Subtotal</b>	<b>\$ 47,100</b>	<b>\$ 52,500</b>	<b>\$ 58,886</b>	<b>\$ 55,000</b>	<b>4.8%</b>
<b>Total Operating</b>	<b>\$ 54,200,749</b>	<b>\$ 59,661,883</b>	<b>\$ 59,905,020</b>	<b>\$ 71,277,913</b>	<b>19.5%</b>
<b>Other Revenues</b>					
Miscellaneous	337,679	115,000	282,506	305,000	165.2%
Water Frontage Fees/Assessments	458,066	500,000	213,000	225,000	-55.0%
Sewer Frontage Fees/Assessments	864,384	775,000	600,000	622,000	-19.7%
<b>Total Other Revenues</b>	<b>\$ 1,660,129</b>	<b>\$ 1,390,000</b>	<b>\$ 1,095,506</b>	<b>\$ 1,152,000</b>	<b>-17.1%</b>
<b>Transfers from Other Funds</b>					
Water Capital Facilities Fees	\$ 3,009,666	\$ 2,816,971	\$ 2,334,253	\$ -	-100.0%
Sewer Capital Facilities Fees	1,762,623	1,759,001	1,240,502	-	-100.0%
Storm Water Management	185,000	185,000	185,000	185,000	0.0%
Debt Issue/Refunding	7,875,610	-	-	-	-
<b>Total Transfers from Other Funds</b>	<b>\$ 12,832,899</b>	<b>\$ 4,760,972</b>	<b>\$ 3,759,755</b>	<b>\$ 185,000</b>	<b>-96.1%</b>
Appropriation from Fund Balance	\$ 1,146,045	\$ -	\$ 5,046,270	\$ 1,000,000	-
<b>TOTAL W &amp; S FUND REVENUES</b>	<b>\$ 74,216,177</b>	<b>\$ 69,307,679</b>	<b>\$ 72,469,649</b>	<b>\$ 74,927,870</b>	<b>8.1%</b>

**WATER AND SEWER FUND  
REVENUE AND APPROPRIATION SUMMARY**

	<b>Actual FY 2006-07</b>	<b>Adopted FY 2007-08</b>	<b>Estimated FY 2007-08</b>	<b>Adopted FY 2008-09</b>	<b>Change</b>
<b>REVENUES</b>					
Investment and Rental Income	\$ 4,376,355	\$ 3,494,824	\$ 2,663,098	\$ 1,312,957	-62.4%
Water and Sewer Sales	53,376,795	58,741,183	58,973,588	70,362,913	19.8%
Other Operating Revenue	776,854	868,200	872,546	860,000	-0.9%
Licenses and Permits	47,100	52,500	58,886	55,000	4.8%
Frontage Fees/Assessments	1,322,450	1,275,000	813,000	847,000	-33.6%
Other	337,679	115,000	282,506	305,000	165.2%
Transfer from Other Funds	12,832,899	4,760,972	3,759,755	185,000	-96.1%
<b>Subtotal Revenues</b>	<b>\$ 73,070,132</b>	<b>\$ 69,307,679</b>	<b>\$ 67,423,379</b>	<b>\$ 73,927,870</b>	<b>6.7%</b>
Appropriations from Fund Balance	1,146,045	-	5,046,270	1,000,000	-
<b>TOTAL REVENUES</b>	<b>\$ 74,216,177</b>	<b>\$ 69,307,679</b>	<b>\$ 72,469,649</b>	<b>\$ 74,927,870</b>	<b>8.1%</b>
<b>APPROPRIATIONS</b>					
Personal Services	\$ 16,440,143	\$ 18,094,184	\$ 17,666,197	\$ 19,884,549	9.9%
Operating	19,479,958	21,595,162	24,665,464	24,232,347	12.2%
Capital Outlay	958,883	314,434	240,835	115,500	-63.3%
Debt Service	22,656,569	15,659,306	16,230,560	19,360,161	23.6%
Transfers to Other Funds	14,680,624	13,644,593	13,666,593	11,335,313	-16.9%
Transfers to Fund Balance	-	-	-	-	-
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 74,216,177</b>	<b>\$ 69,307,679</b>	<b>\$ 72,469,649</b>	<b>\$ 74,927,870</b>	<b>8.1%</b>
<b>Department Appropriations</b>					
Water Management	\$ 27,694,936	\$ 30,902,399	\$ 34,145,012	\$ 33,735,471	9.2%
Public Works	2,017,191	2,318,699	2,236,321	2,243,152	-3.3%
Finance	202,272	269,541	224,840	224,470	-16.7%
<b>Subtotal</b>	<b>\$ 29,914,399</b>	<b>\$ 33,490,639</b>	<b>\$ 36,606,173</b>	<b>\$ 36,203,093</b>	<b>8.1%</b>
Nondepartmental Appropriations	44,301,778	35,817,040	35,863,476	38,724,777	8.1%
<b>Total Appropriations</b>	<b>\$ 74,216,177</b>	<b>\$ 69,307,679</b>	<b>\$ 72,469,649</b>	<b>\$ 74,927,870</b>	<b>8.1%</b>

**FUND DESCRIPTION**

The Water and Sewer Fund accounts for revenues and expenses related to the provision of water and sewer services to the customers of the City and adjacent areas.

## WATER AND SEWER FUND REVENUE DESCRIPTIONS

### Investment and Rental Income

Interest: Investment - Investment income is gained through the commitment of City funds to investment instruments allowed by State Statute.

Interest: Assessments - Interest is charged on water and sewer assessments.

Rental Income - The City owns property and houses, purchased for other purposes with Water and Sewer Fund monies, which are temporarily rented. This also includes revenue from cellular tower leases.

### Operating Revenues

Water and Sewer Sales - Water and Sewer Sales includes both consumption and service fee charges to all direct water and sewer customers, inside and outside the City. It does not include contractual water sales to other utilities. A rate increase for water and sewer services charges and water consumption charges was adopted for FY2008-09. For residential customers, water is billed at an increasing tiered rate intended to promote conservation. Non-residential customers will be billed for water consumption at the 3<sup>rd</sup> or middle tier rate. This rate increase is projected to equate to the following change for a residential customer:

Billing Period	8 CCF Monthly Use	2 CCF Monthly Use	12 CCF Monthly Use
Bi-Monthly Increase	\$14.76	\$10.74	\$22.92
Monthly Increase	\$7.38	\$5.37	\$11.46
Annual Increase	\$88.56	\$64.50	\$137.52

Industrial Monitoring Charge - The Environmental Protection Agency requires the recovery of costs incurred in monitoring potentially high strength and toxic wastes. The rate schedule is based on the types of tests required. The base charge of \$55 per sample covers administration and equipment set-up costs.

Sewer Surcharges - Surcharges on high strength waste are \$151.81 per 1,000 pounds of biochemical oxygen demand.

Suspended Solids - Charges on suspended solids will remain at \$64.37 per 1,000 pounds.

### Other Operating Revenues

Septic Tank Disposal - Charges for truckloads of septic waste discharged at the North Durham Water Reclamation Facility.

Fire Protection (City Hydrants) - Monthly charges are made to the Fire Department for each hydrant on the City's water system.

Water and Sewer Line Connection Fees - Fees are charged at the time of initial connection onto water and sewer mains. These fees vary with the size of the connection.

Water Analysis Fee - This fee provides for the partial recovery of costs incurred in monitoring the water quality of new construction and existing facilities undergoing extensive plumbing repairs. Citizens can also request water quality analyses.

Engineering Inspection Fees - The Water and Sewer Engineering Division charges fees for water main, sewer main, and sewer outfall inspections.

Backflow Tester School - The Water Resources Department offers certification classes for backflow testers. An enrollment fee is charged for each participant in the school.

## **Licenses and Permits**

Cross Connection Control (CCC) Permit - This \$32 per permit partially recovers the cost of the inspection of CCC devices.

Water and Sewer Permit Fees - These fees are paid by developers and the City for permits to extend water and sewer lines.

## **Intragovernmental Services**

Construction - City Forces - This item represents charges made to bond and construction funds for water and sewer construction performed by City employees. This line item also includes overhead charges, equipment rental charges and fringe benefits charges. These charges occur as a result of street maintenance work performed by City employees.

Engineering Fees - This item represents charges made to bond and construction funds for water and sewer engineering work performed by City employees.

## **Other Revenues**

Sale of Land, Property and Equipment - This includes revenue from the sale of surplus land, equipment or property.

Miscellaneous - This item includes revenues from broken water meter charges, water cut-off penalties and after-hours service charges.

Water and Sewer Frontage Fees/Assessments - Frontage Fees are applicable when property is developed and the developer or property owner has not installed a water and/or sewer line across the street frontage or street right-of-way abutting the project. This item reflects confirmations of water and sewer assessment rolls.

## **Transfers from Other Funds**

Water and Sewer Capital Facilities Fund - The Capital Facility Fee was established in 1985 to recover the costs associated with providing water supply, water treatment and wastewater treatment to new water and sewer service customers. Prior to FY 2008-09 this revenue was shown as a transfer to the Water and Sewer Operating Fund to offset debt service cost. Beginning in FY 2008-09 this revenue will be transferred directly to the Water and Sewer Construction Fund in support of Water and Sewer CIP projects.

Stormwater Management - This transfer covers the costs incurred by Customer Billing and Services for stormwater billing expenditures and by Water Management for one-half of the Household Hazardous Waste Disposal program.

Appropriation from Fund Balance - An appropriation from fund balance is used to balance the budget when expenditures are anticipated to exceed revenues in a given year.

## WATER AND SEWER NON-DEPARTMENTAL APPROPRIATIONS

	Actual FY 2006-07	Adopted FY 2007-08	Estimated FY 2007-08	Adopted FY 2008-09	Change
<b>Administration</b>					
General Fund Services	\$ 4,792,598	\$ 4,529,598	\$ 4,529,598	\$ 4,529,598	0.0%
Insurance Risk /Post Employment	2,410,873	1,718,766	1,718,766	1,952,778	13.6%
Recovery of Past Due Accounts	-	100,000	-	50,000	-50.0%
Collection of Delinquent Accounts	-	263,000	263,000	263,000	0.0%
Merit/Market Salary Adjustment	-	451,375	-	660,525	46.3%
Project Management				1,000,000	-
Drug Testing	32,701	40,000	31,207	40,000	0.0%
Transfer to Storm Water Fund	123,000	123,000	123,000	123,000	0.0%
<b>Total Administration</b>	<b>\$ 7,359,172</b>	<b>\$ 7,225,739</b>	<b>\$ 6,665,571</b>	<b>\$ 8,618,901</b>	<b>19.3%</b>
<b>Miscellaneous</b>					
Contingency	\$ -	\$ 50,000	\$ 50,000	\$ 50,000	0.0%
Hardship Funds	87,810	75,000	115,000	115,000	53.3%
Transfer to Fleet Acquisition Fund	99,179	2,786,995	2,786,995	1,755,715	-37.0%
Other Non-Operating	4,609	15,000	15,350	125,000	733.3%
<b>Total Miscellaneous</b>	<b>\$ 191,598</b>	<b>\$ 2,926,995</b>	<b>\$ 2,967,345</b>	<b>\$ 2,045,715</b>	<b>-30.1%</b>
<b>Debt Service and Capital</b>					
Debt Service/Refunding	\$ 21,897,567	\$ 15,064,306	\$ 15,517,087	\$ 18,760,161	24.5%
County Line Reimbursement	759,002	600,000	713,473	600,000	0.0%
Capital Improvements Program	14,094,439	10,000,000	10,000,000	8,700,000	-13.0%
<b>Total Debt and Capital</b>	<b>\$ 36,751,008</b>	<b>\$ 25,664,306</b>	<b>\$ 26,230,560</b>	<b>\$ 28,060,161</b>	<b>9.3%</b>
Appropriation to Fund Balance	\$ -	\$ -	\$ -	\$ -	-
<b>TOTAL NON-DEPARTMENTAL</b>	<b>\$ 44,301,778</b>	<b>\$ 35,817,040</b>	<b>\$ 35,863,476</b>	<b>\$ 38,724,777</b>	<b>8.1%</b>

## **WATER AND SEWER FUND NON-DEPARTMENTAL APPROPRIATIONS**

### **Administration**

General Fund Services - Funds are appropriated each year to reimburse the General Fund for services provided to the Water and Sewer Fund. Also included are costs for services provided by the Budget and Management Services Department.

Risk Retention Fund and General Insurance - Each fund pays a proportionate share of expected liability and workers' compensation claims obligations, as well as a share of general insurance, safety and health costs.

Collection of Delinquent Accounts - These funds are appropriated to cover the cost of collecting delinquent accounts.

Drug Testing - This account covers the cost of drug testing for all new Water and Sewer Fund employees, as required by City policy.

Bond Issuance Expense - Funds are appropriated to cover the cost of issuing Revenue Bonds and GO Bonds.

Project Management – The City has contracted with MWH Americas, Inc. for services related to process and delivery enhancements to manage the City's CIP projects.

### **Miscellaneous**

Contingency - These funds are expended upon City Council approval for various unanticipated costs that arise during the fiscal year which are unforeseen during the budget preparation process.

Hardship Funds - Funds are provided to pay water and sewer bills if a customer is found to be unable to pay under established Durham County Social Services guidelines.

Fleet Replacement - Costs associated with the replacement of the centralized fleet used by Water and Sewer Fund-related departments are recorded here.

Water and Sewer Customer Relations - Funds cover various customer relations activities such as printing customer handbooks, and documents for customer education and information.

### **Debt Service/Capital Improvements**

Debt Service - Debt service for water and sewer projects is paid directly from the Water and Sewer Operating Fund.

County Line Reimbursement - The City reimburses the County for water and sewer line installations within designated areas of the County.

### **Capital Improvement Program (CIP) Appropriations**

The 2005 Bond Referendum included \$20 million in water and sewer capital projects. These projects included sewer rehabilitation, North Durham Water Reclamation Facility improvements, Southern Reinforcing Main, Water Main Rehabilitation, Brown Water Treatment Plant Expansion – Phase II, Sewer Extensions and Improvements and Water Extensions and Improvements. These projects continue in design and or construction and bonds are issued annually as needed to cover the cost of these projects.

Water and Sewer operating funds are appropriated to the Capital Improvement Program to address specific critical capital maintenance needs. For FY09 \$8.7 million in CIP funding will be provided from Water and Sewer operating funds. Another \$4.9 million will also be transferred to CIP projects from the Capital Facilities Fees Fund. Water and Sewer CIP projects for FY2008-09 are recommended at \$63.2 million with approximately \$50 million in funding coming from anticipated new revenue bond issues. The full list of Water and Sewer CIP projects can be found in the FY2009-2014 Capital Improvement Program budget document.